

Message Text

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PLEASE INFORM CONSULS

E.O. 11652: N/A

TAGS: EGEN, EFIN, ETRD

SUBJECT: PRESIDENT'S STATEMENT ON THE DOLLAR

THE FOLLOWING PRESIDENTIAL STATEMENT WAS RELEASED BY
THE WHITE HOUSE AT 4:00 P.M., DECEMBER 21, WASHINGTON
TIME.

QUOTE: THE UNITED STATES BALANCE OF TRADE AND PAYMENTS
HAS SHIFTED THIS YEAR TO A LARGE DEFICIT POSITION. THE
TWO MAIN CAUSES APPEAR TO BE: LARGE OIL IMPORTS BY THE
UNITED STATES AND RELATIVELY SLOW ECONOMIC GROWTH IN
JAPAN, GERMANY AND OTHER NATIONS.

THESE DEFICITS HAVE CONTRIBUTED TO SOME DISORDER IN
THE EXCHANGE MARKETS AND RAPID MOVEMENTS IN EXCHANGE
RATES. HEIGHTENED UNCERTAINTY AND INCREASED EXCHANGE
MARKET PRESSURE IN RECENT WEEKS HAVE COINCIDED WITH THE
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DELAY IN CONGRESSIONAL ACTION ON OUR ENERGY LEGISLATION.
A MISTAKEN BELIEF THAT THE UNITED STATES IS NOT PREPARED
TO ADOPT AN EFFECTIVE ENERGY PROGRAM HAS BEEN PARTLY
RESPONSIBLE FOR RECENT UNSETTLED CONDITIONS IN THE
EXCHANGE MARKETS. WE HAVE A RESPONSIBILITY TO PROTECT
THE INTEGRITY OF THE DOLLAR. PROMPT ACTION IS NEEDED
IN ENERGY AND OTHER FIELDS TO REDUCE OUR DEFICITS.

LAST APRIL I SUBMITTED TO THE CONGRESS A COMPREHENSIVE CONSERVATION AND CONVERSION PROGRAM TO REDUCE OUR DEPENDENCE ON FOREIGN OIL. I AM CONFIDENT THAT THE CONGRESS WILL NOT ALLOW THIS SITUATION TO CONTINUE TO DETERIORATE THROUGH INACTION. I AM EQUALLY CONFIDENT THAT THE AMERICAN PEOPLE WILL FULLY SUPPORT THIS CRITICALLY IMPORTANT PROGRAM. WHEN ENACTED, THE MEASURES NOW UNDER CONSIDERATION WILL HAVE INCREASINGLY BENEFICIAL EFFECT IN COMING YEARS AND EXERT THEIR MAIN IMPACT BY 1985.

THE UNITED STATES IS CURRENTLY IMPORTING PETROLEUM AT A COST OF ABOUT 45 BILLION DOLLARS A YEAR. IN 1978, TAKING ACCOUNT OF PLANNED PRODUCTION OF ALASKAN OIL, OUR OIL IMPORTS WILL BE STABLE DESPITE SUBSTANTIAL PURCHASES FOR OUR STRATEGIC PETROLEUM RESERVE. NEVERTHELESS, IT IS ESSENTIAL THAT WE TAKE FURTHER STEPS TO CURTAIL THESE IMPORTS, IN ORDER TO REDUCE BOTH OUR EXCESSIVE DEPENDENCE ON IMPORTED OIL AND THE BURDEN ON OUR BALANCE OF PAYMENTS. THE ENERGY MEASURES I AM NOW PROPOSING ARE DESIGNED TO SERVE THESE ENDS.

I HAVE INSTRUCTED THE DEPARTMENT OF ENERGY TO PURSUE EFFORT TO:

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-- EXPAND PRODUCTION OF OIL AT THE ELK HILLS NAVAL PETROLEUM RESERVE;

-- ENCOURAGE AN EXPANSION OF PRODUCTION AT PRUDHOE BAY ABOVE THE 1.2 MILLION BARRELS A DAY PLANNED FOR EARLY 1978;

-- MAINTAIN PRODUCTION OF CALIFORNIA CRUDE AT A HIGH LEVEL;

-- WORK WITH APPROPRIATE GOVERNMENTAL AND PRIVATE INTERESTS IN EXPEDITING PROVISION OF ADEQUATE PIPELINE CAPACITY FOR TRANSPORT OF ALASKAN AND CALIFORNIA OIL EAST OF THE ROCKY MOUNTAINS.

COMBINED WITH CONSERVATION MEASURES, THESE EFFORTS OFFER GOOD PROMISE.

THE NEW MEASURE WILL TAKE EFFECT IN THE PERIOD IMMEDIATELY AHEAD AND SERVE AS A BRIDGE UNTIL THE IMPLEMENTATION OF THE MORE COMPREHENSIVE LEGISLATIVE PROGRAM BEGINS TO EXERT FUNDAMENTAL CHANGES IN OUR

ENERGY BALANCE IN THE YEARS AHEAD.

I HAVE ALSO INSTITUTED MEASURES TO EXPAND U.S.
EXPORTS:

-- WE HAVE DOUBLED COMMODITY CREDIT CORPORATION
CREDITS TO SUPPORT AGRICULTURAL EXPORTS.

-- IN 1978, WE WILL INCREASE SHARPLY LENDING ACTIVITY
BY THE EXPORT-IMPORT BANK, TO SUPPORT EXPORTS GENERALLY.

WE WILL NOT ENGAGE IN UNFAIR COMPETITION FOR EXPORT
MARKETS; WE WILL FULLY RESPECT OUR UNDERSTANDINGS WITH
OTHER GOVERNMENTS REGARDING EXPORT CREDIT TERMS. BUT
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WITHIN THESE UNDERSTANDINGS THERE IS ROOM FOR A MORE
ACTIVE EFFORT TO EXPAND OUR EXPORTS. THROUGH SUCH AN
EFFORT, I BELIEVE WE CAN ACHIEVE SUBSTANTIAL INCREASES
IN EXPORTS IN 1978, AS WELL AS IN SUBSEQUENT YEARS.

WITH THESE MEASURES, THE PROSPECTS FOR AN IMPROVEMENT
IN OUR TRADE POSITION WILL BE GOOD. SOME OF THESE
MEASURES WILL BEGIN TO TAKE EFFECT IN 1978. WHEN FULLY
IMPLEMENTED, THESE MEASURES, ENERGY AND NON-ENERGY,
SHOULD PRODUCE AN ANNUAL IMPROVEMENT IN OUR TRADE
POSITION OF SEVERAL BILLION DOLLARS, AND WILL IMPROVE
THE U.S. BALANCE OF PAYMENTS.

THERE HAS BEEN A GREAT DEAL OF PUBLIC DISCUSSION IN
RECENT WEEKS ABOUT THE LARGE U.S. TRADE AND PAYMENTS
DEFICITS, AND THE MOVEMENT OF RATES IN THE EXCHANGE
MARKETS, MAINLY BETWEEN THE DOLLAR AND THE GERMAN MARK
AND JAPANESE YEN. THE AMERICAN ECONOMY AND THE DOLLAR
ARE FUNDAMENTALLY SOUND; U.S. PRODUCTS ON THE WHOLE ARE
COMPETITIVE. WHILE SOME EXCHANGE RATE ADJUSTMENT HAS
BEEN UNDERSTANDABLE IN LIGHT OF ECONOMIC DEVELOPMENTS
IN GERMANY, JAPAN, AND THE UNITED STATES, RECENT EXCHANGE
MARKET DISORDERS ARE NOT JUSTIFIED.

THE NEW ENERGY MEASURES STRIKE DIRECTLY AT A KEY
PART OF THE BALANCE OF TRADE PROBLEM. THE EXPORT
MEASURES WILL ENABLE US TO RESPOND EFFECTIVELY TO
EXPANDING EXPORT OPPORTUNITIES. TOGETHER, THE ENERGY
AND EXPORT MEASURES REPRESENT ACTION TO STRENGTHEN OUR
BALANCE OF PAYMENTS AND DEAL WITH OUR TRADE DEFICIT IN
A SUBSTANTIVE WAY, BY IMPROVING THE UNDERLYING CONDITIONS
UPON WHICH THE VALUE OF THE DOLLAR FUNDAMENTALLY DEPENDS.

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FURTHERMORE, NEXT MONTH I SHALL BE PRESENTING TO THE CONGRESS A COMPREHENSIVE ECONOMIC PROGRAM, DESIGNED TO INSURE A HEALTHY AND GROWING ECONOMY, TO INCREASE BUSINESS CAPITAL INVESTMENT, TO EXPAND INDUSTRIAL CAPACITY AND PRODUCTIVITY, AND TO MAINTAIN PRUDENT BUDGETARY POLICIES, WHILE COUNTERACTING INFLATIONARY PRESSURES. THESE AND RELATED MEASURES WILL PROMOTE ECONOMIC PROGRESS AND UNDERSCORE OUR COMMITMENT TO A STRONG AND SOUND U.S. ECONOMY.

IN THE DISCHARGE OF OUR RESPONSIBILITIES, WE WILL, IN CLOSE CONSULTATION WITH OUR FRIENDS ABROAD, INTERVENE TO THE EXTENT NECESSARY TO COUNTER DISORDERLY CONDITIONS IN THE EXCHANGE MARKETS. THE MEASURES I HAVE ENUMERATED WILL DEAL WITH THE ROOT CAUSES OF THESE MARKET DISTURBANCES IN A MORE DIRECT AND FUNDAMENTAL WAY. UNQUOTE.
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